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**November 9, 2020**

**To: Statewide Elected Officials, Members of the Texas House and Senate, Local Elected Officials, Business and Civic Leaders, Health Care Professionals, and Others Interested in Health Care in Texas**

The pandemic and resulting economic dislocations are creating significant fiscal challenges for the State and local governments. In particular, the budgetary process in the upcoming legislative session will be daunting.

Given this environment, it is appropriate to examine any financial strategy that could produce a positive impact for the State's biennial budget. One option worthy of consideration is accessing billions of federal dollars to fund health care for low-income residents that is currently paid for in part by the State and local governments. While there is a 10 percent matching requirement to draw down these federal dollars, the fiscal realities merit careful evaluation. In fact, the State previously explored this option several years ago and found that "...potential savings and revenues would more than offset the cost, resulting in a net positive fiscal impact."<sup>i</sup> Many states have subsequently implemented similar programs, thus providing useful "real world" information to facilitate a current assessment.

We are a group of analysts with expertise and decades of experience related to various aspects of health care, budgetary evaluation, public policy, and related areas. Our work spans the public sector, the private sector, and academia, and many of us have extensively examined financial issues associated with health care spending in the past.

We have examined the direct fiscal implications of a federally funded coverage expansion in Texas, including costs (the required 10 percent state match), savings, and resulting new revenue. Based on this investigation, we have determined that **the probable net static fiscal impact of implementing a federally funded expansion in Texas would be positive and in the range of \$75 million to \$125 million during the 2022-2023 Biennium.**

The required 10 percent matching amount was estimated based on factors such as (1) the cost per recipient as identified by the State and verified by other knowledgeable individuals, (2) the eligible population, as determined from a detailed demographic assessment at the county level, and (3) potential enrollment rates based on patterns in other states and discussions with individuals experienced in administering public health programs in Texas.<sup>ii</sup>

The evaluation of savings and new revenues is based on a detailed assessment of premium taxes and health care for incarcerated individuals, pregnant women, and individuals with mental illness

or disabilities.<sup>iii</sup> This analysis was supplemented by discussions with individuals with experience in these budgetary items, which were useful in framing various plausible scenarios.

It should be noted that the overall fiscal effects of this policy would extend beyond direct State budget considerations. Providing health insurance to a large group of low-income Texans will reduce uncompensated care in hospitals and emergency rooms, much of which is presently funded by county taxes and private insurance premiums. Greater access also facilitates preventive care, early detection, and improved disease management, which can improve population health and potentially lower long-run health costs. In addition, the infusion of billions of external dollars into the Texas health care system each year will have downstream positive effects on the economy and dynamic revenues.<sup>iv</sup>

We appreciate your consideration of our efforts to inform a productive dialogue regarding these budgetary issues that are critical to the future of Texas.

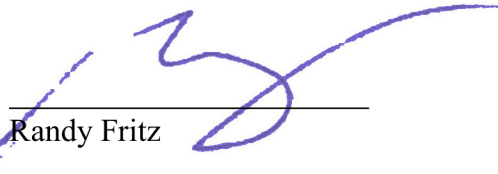
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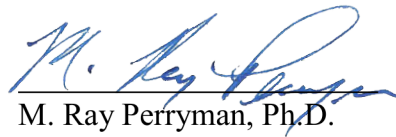
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<sup>i</sup> <https://capitol.texas.gov/tlodocs/83R/fiscalnotes/html/HB03376I.htm>

<sup>ii</sup> <https://www.episcopalhealth.org/wp-content/uploads/2020/09/Laura-Dague-Report-FINAL-9142020-1.pdf>

<sup>iii</sup> <https://www.episcopalhealth.org/wp-content/uploads/2020/09/Fritz-Pitts-Pitts-Sept-2020-Impact-of-Medicaid-Expansion-on-State-Budget-1.pdf>

<sup>iv</sup> Dr. Perryman will be addressing these issues in a forthcoming report.